

MEMORANDUM FOR THE RECORD

SUBJECT: Conversation with Robert Macy of the Murphy Commission

1. Mr. Macy is doing a paper, in connection with the Murphy Commission's investigation of foreign affairs machinery, on resource allocation problems in the Intelligence Community. He apparently wanted to talk to me because of my involvement in the Schlesinger study leading to the November 1971 letters. He had several questions in mind as discussed below. First, and seemingly most important in his mind, he wanted to check his understanding of how the Intelligence Community budget was dealt with by the DCI and by OMB. As a part of this he was concerned about how the traditional one-on-one relationship of the CIA examiner to the CIA program and Defense's joint (OMB/DOD) review process might be reconciled with the elaborate resource review task which he understood had been established for the DCI as a result of the 1971 letter. After noting that I was not currently directly involved in the problem and that he should explore it further with the IC Staff, I explained my understanding of the origins of the November 1971 letter, the procedures which OMB had envisioned the DCI would follow in reviewing Defense intelligence resource requirements and my present understanding of how the process works. I explained that the November 1971 letter had as its basic tenant the notion that only the DCI in the US Government was in a position to give authoritative views on collection and other resource requirements and that he was in this position because of his production responsibilities. This meant that OMB conceived that the DCI would need to find a way to relate production needs to the problem of deciding which collection systems merited what resources.

2. I explained that at OMB we had concluded that CIA could not develop an entirely separate resource review process for DOD intelligence activities; it would be necessary to make use of the existing process. Thus, we had spent considerable time developing a detailed explanation of the Defense resource review process with suggestions as to where in

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that process the DCI and his Community staff should attempt to gain access and express his views. (We had, however, not addressed the question of what the DCI would say, or how he would come to his conclusions, when he had achieved the desired access.) I explained that it is my general feeling that not only had the IC Staff been unable to find a way to participate in this process as effectively as we would have liked, but that complexities of the Defense resource allocation task were such that even Defense management had great difficulty deciding where and how to intervene in the process so as to have an impact! In addition, I said that it was my experience that the basic resource decisions about Defense intelligence components, even with Defense's full cooperation, were more likely to result from changes (typically at the last minute) in the overall amount which the President would seek from Congress than they were from anything done along the way. In sum, even if the DCI could find a way to participate more fully, a last minute reduction of the overall DOD [redacted] (the reverse) might have as much impact on Intelligence Community spending as any rational participation might have brought about.

3. Finally, I suggested that anything said about the DCI's ability to participate in the Defense budget process had to be tempered by the fact that while he had been given responsibilities by the President, he had not been given effective authority. Defense quite understandably almost always takes the view that they are responsible for Defense resource decisions, asking very little help from others in making them. In sum, OMB's fond expectation that the DCI would find a way to involve himself effectively in the DOD process hadn't worked as planned.

4. Mr. Macy asked about a recommendation which he said he was considering for inclusion in his report to the effect that the DCI shouldn't try nor be required to muck around in all the details, but should, instead, focus on trying to influence the planning process at the beginning. In Defense this would mean DCI participation in some kind of fiscal guidance-setting exercise on the basis of some kind of planning assumptions about the forthcoming fiscal budget year. I expressed the view that this suggestion would take us in the right direction but that it should be made with the understanding that because of some of the views outlined above, even the Defense planning process, however well intentioned and carried out, seldom was of critical importance in setting the final levels. I suggested he was on the right

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track in thinking about a general approach in which the DCI would make his views known on a very few, perhaps a half dozen, critical and important budgetary issues at some point in the Defense process.

5. At this point we digressed a bit to talk about the overall cost of the Intelligence Community. I suggested that the problem addressed in the November 1971 letter was that the Intelligence Community was entirely too expensive in terms of its output and that there was vast waste and duplication of effort. I said that it was my view that this perspective was outdated; that, in fact, continuing personnel reductions and the ever-increasing cost of money had reversed this situation and produced a climate in which the DCI was beginning to have to worry about expansion, not further contraction. Thus it was possible that institutional arrangements designed to cope with an Intelligence Community thought to be fat were inappropriate to an Intelligence Community which had been reduced, in purchasing power terms, by a substantial amount.

6. Mr. Macy asked about the utility of some kind of coordinating mechanism in stations overseas which might put the COS in the position of formulating an overall embassy collection plan. He said that he had observed in many embassies a tendency for everyone to go their separate directions. Often one group would have collection opportunities which it didn't pursue because it didn't know anyone else was interested. I suggested that this was really a Washington problem, that overseas components would do what their masters in Washington thought they were supposed to do, and that while any effort to increase communications in the field would be useful, the problem ought to be attacked at home.

7. Mr. Macy said that he had spoken with some who thought that there should be legislation expanding the DCI's authority over Community programs. He added that he thought this was unwise given the danger of opening the National Security Act to congressional debate, but inquired as to my view. I said that at the time of the November 1971 study, Schlesinger had listened to much argument about the need for legislative change but that he and others had concluded that this was unrealistic for the basic reason that Mr. Macy had suggested. I said we would probably never find a convenient time to change the National Security Act because there would always be a   or some other 25X1A current event which would make us reluctant to do so. I added that in my view this particular argument was not the most important one,

that it seemed obvious that both we and Defense would always have a strong interest in the intelligence function, for perfectly sound reasons, and that it was impossible to conceive of legislation which turned over to CIA basic authority for shaping in direct and fundamental ways the kinds of information available to our military establishment who were responsible for defending the country. I suggested that the arrangements for the overhead program in which we and Defense had some joint, some parallel, responsibilities for the operation of national programs of critical importance to both of us illustrated this point and were a possible model for other areas at some distant point in the future.

8. Mr. Macy said his report was due very shortly and that he didn't anticipate the need to meet again.



Deputy Comptroller

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